

Message Text

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PAGE 01 VALLET 01158 080204Z
ACTION EUR-12

INFO OCT-01 ISO-00 TRSY-06 EB-08 L-03 COME-00 FRB-01
CIAE-00 INR-07 NSAE-00 SS-15 SP-02 OMB-01 /056 W
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FM AMEMBASSY VALLETTA
TO SECSTATE WASHDC 7662

UNCLAS VALLETTA 1158

DEPT PLS PASS TO TREASURY

E.O. 11652: N/A
TAGS: EFIN, MT
SUBJECT: US/MALTA TAXATION TREATY

REF: (A) 76 STATE A-2991, (B) VALLETTA 0239

DURING INTRODUCTORY CALLS BY EMBASSY ECONOMIC OFFICER ON
OFFICIALS OF MALTA INLAND REVENUE DEPARTMENT, COMMISSIONER
BAKER OF THE DEPARTMENT INQUIRED WHETHER THERE HAD BEEN
ANY CHANGE IN USG POLICY ON THE "TAX SPARING" ISSUE, WHICH
HAD STYMIED EARLIER USG/GOM NEGOTIATIONS ON A DOUBLE TAXATION
TREATY BETWEEN THE TWO GOVERNMENTS. WHILE EMBOFF RESPONDED
THAT THERE HAD BEEN NO BASIC CHANGE OF POLICY TOWARDS
"TAX SPARING", HE REFERRED TO EMBASSY'S PREVIOUS EFFORTS
TO OBTAIN AND FORWARD COPIES OF THE US/EGYPT AND US/ISRAEL
TAX TREATIES AND INQUIRED WHETHER THE GOM CONSIDERED THAT
THE TAX SPARING PROVISIONS IN EITHER OF THOSE TREATIES
COULD BE MADE APPLICABLE TO MALTA. BAKER RESPONDED THAT
HIS DEPARTMENT HAD STUDIED THESE PROVISIONS BUT CONCLUDED
THAT MALTA'S TAX STRUCTURE AND INTERESTS WERE NOT
ADAPTABLE TO THE TREATMENT OF HOST GOVERNMENT ASSISTANCE
TO BUSINESS IN THE EGYPTIAN AND ISRAELI TREATIES. HE
NOTED MALTA'S CONTINUING INTEREST IN THE CONCLUSION
OF DOUBLE TAXATION TREATIES, HOWEVER, MENTIONING THAT
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SUCH TREATIES HAD BEEN NEGOTIATED WITH ALL THE MAJOR
EUROPEAN COUNTRIES, ALTHOUGH SOME SUCH AGREEMENTS, SUCH
AS THAT WITH FRANCE, HAD NOT YET BEEN RATIFIED. HE ALSO
MENTIONED THAT THE GOM WAS NEGOTIATING SIMILAR
AGREEMENTS WITH CANADA, AUSTRALIA AND JAPAN.

2. EMBOFF REITERATED THE EMBASSY'S CONTINUING INTEREST IN

A DOUBLE TAXATION TREATY BETWEEN THE UNITED STATES AND MALTA AND OFFERED TO EXPLORE ANY POSSIBLE NEW USG APPROACHES TO THE TAX SPARING CONCEPT.

3. ACTION REQUESTED: IN VIEW OF THE GOM'S CONTINUING INTEREST IN THE QUESTION OF A TAX TREATY (EXPRESSED TO THE EMBASSY NOT ONLY BY INLAND REVENUE BUT ALSO BY THE MINISTRY OF FOREIGN AFFAIRS AND THE MALTA DEVELOPMENT CORPORATION), WE WOULD APPRECIATE RECEIVING ANY UPDATED INFORMATION ON THE TAX SPARING ISSUE. INFORMATION ON THE TREATMENT OF THIS ISSUE IN AGREEMENTS WITH OTHER DEVELOPING COUNTRIES MIGHT BE PARTICULARLY USEFUL. LAINGEN

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Message Attributes

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